



Arnold Schwarzenegger
Governor

January 7, 2010
22M:388:TLA:9088:9089

Mr. John Solis, Executive Director
San Joaquin County Employment and
Economic Development Department
56 South Lincoln Street
Stockton, CA 95203

Dear Mr. Solis:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2008-09

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the San Joaquin County Employment and Economic Development Department's (EEDD) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. TG Akins from May 4, 2009 through May 8, 2009. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, cost/resource sharing, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients, and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, contract terms and agreements, and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by EEDD with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2008-09.

We collected the information for this report through interviews with representatives of EEDD, a review of applicable policies and procedures, and a review of documentation retained by EEDD for a sample of expenditures and procurements for PY 2008-09.

We received your response to our draft report on July 21, 2009, and reviewed your comments and documentation before finalizing this report. Because your response did not adequately address finding 1 cited in the draft report, we consider this finding unresolved. We request that EEDD provide the Compliance Review Office (CRO) with additional information and a corrective action plan (CAP) to resolve the issue that led to the finding. Therefore, this finding remains open and has been assigned Corrective Action Tracking System (CATS) number 90177.

BACKGROUND

The EEDD was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2008-09, EEDD was allocated: \$3,362,061 to serve 865 adult participants; \$3,641,961 to serve 345 youth participants; and \$2,702,776 to serve 239 dislocated worker participants.

For the quarter ending March 31, 2009, EEDD reported the following expenditures and enrollments for its WIA programs: \$1,121,115 to serve 324 adult participants; \$1,727,418 to serve 292 youth participants; and \$1,406,924 to serve 209 dislocated worker participants.

FISCAL REVIEW RESULTS

While we concluded that, overall, EEDD is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of contract payments. The finding that we identified in this area, our recommendation, and EEDD's proposed resolution of the finding is specified below.

FINDING 1

Requirement: OMB Circular A-87, Attachment B(C)(3) states, in part, that a cost is allocable to a particular cost objective if the goods and services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Observation: We observed that EEDD is not able to document what contract deliverables were provided by their subrecipient Family Resource and Referral Center (FRRC) for the contract payments made from July 2008 to February 2009. During this time there were no WIA participants receiving WIA subsidized child care payments through FRRC.

The EEDD staff stated that there were participants referred to FRRC from July 2008 to February 2009, but they do not keep the referral forms on file and therefore were not able to provide any documentation that referrals were made.

Recommendation: We recommended that EEDD provide CRO with documentation that identifies and substantiates the contract deliverables that were being performed by FRRC for the monthly invoices from July 2008 to February 2009.

EEDD Response: The EEDD stated that although no participants received WIA subsidized child care during the period in question, WIA participants were referred to FRRC during the same period for child care services and were able to access child care services through other resources of funding. Additionally, EEDD stated FRRC provided other contract deliverables that benefited the WIA program. The EEDD also states that FRRC has 11 separate objectives that they are contracted to provide and listed out 5 to provide clarification and additional information to substantiate FRRC's contract deliverables. The 5 sections are:

3.1.3 The SUBRECIPIENT shall assist participants in the location of appropriate child care in any license center or licensed day care home which conforms to applicable law regarding licensure requirements.

3.1.4 The SUBRECIPIENT shall provide "Orientation" to all participants and exempt child care providers outlining their legal responsibilities and liabilities as a parent/child care provider.

3.1.7 The SUBRECIPIENT shall provide a continuity of child care services through the parent's post-training transition period, when authorized by EEDD.

3.1.8 The SUBRECIPIENT shall make available to each participant provider packets containing appropriate materials, activities and resources within San Joaquin County for Child Development.

3.1.9 The SUBRECIPIENT shall provide participants with referrals to other subsidized child care programs, as appropriate, thirty (30) days prior to EEDD's

projected termination of the participant's child care services.

The EEDD continues, FRRC provided the above-referenced services and contract deliverables to all participants referred by EEDD regardless if they were subsidized through a non-WIA program or didn't follow through with securing child care.

Lastly, EEDD acknowledged that complete documentation of the services provided by FRRC to the benefit of the WIA program, such as orientations, workshops, and referral services identified above, may be lacking. The EEDD stated that this might be due to the fact that direct child care was not charged to the WIA grant. The referral documents were not utilized or maintained as source documentation for child care subsidy. This was partially due to a more informal referral process, since FRRC staff was co-located in some of EEDD's WorkNet Centers, where the intent was to secure alternative funding sources to address their customer's child care needs.

State Conclusion: Based on EEDD's response, we cannot resolve this issue at this time. While we acknowledge that EEDD has identified the possible contract deliverables that FRRC was providing from July 2008 to February 2009, EEDD has not provided CRO with documentation to substantiate that these services were being provided to WIA participants. Furthermore, it also appears that at least 50 percent of the deliverables are activities performed in the routine day-to-day operations of FRRC. Because EEDD has not demonstrated that any WIA participant received a direct benefit from FRRC and charged the WIA grant for activities that are provided to the general public when no WIA participant may have received any benefit, we consider these contract payments as questioned costs. As a result, we recommend that EEDD provide CRO with a CAP showing their contract payments to FRRC benefited WIA or that the WIA account has been reimbursed for the payments from a non-federal funding source. We further recommend that EEDD provide CRO with a CAP which outlines how, in the future, EEDD will collect documentation from FRRC to document the services being provided to WIA participants. Until then, this finding remains open and has been assigned Corrective Action Tracking System (CATS) number 90177.

January 7, 2010

PROCUREMENT REVIEW RESULTS

We concluded that, overall, EEDD is meeting applicable WIA requirements concerning procurement.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than February 5, 2010. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is EEDD's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain EEDD's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mrs. Jennifer Shane at (916) 654-1292.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Greg Gibson, MIC 50
Jose Luis Marquez, MIC 50
Daniel Patterson, MIC 45
Lydia Rios, MIC 50